



Testimony to the Committee on Taxation

in support of

LD 201, An Act To Reduce Greenhouse Gas Emissions and Promote Weatherization in the Buildings Sector by Extending the Sunset Date for the Historic Property Rehabilitation Tax Credit

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Senator Chipman, Representative Terry, and Distinguished Members of the Taxation Committee:

My name is Amy Winston and I am the State Policy Director at Coastal Enterprises, Inc (CEI). I reside in Edgecomb and am testifying today on behalf of CEI in support of LD 201, "An Act To Reduce Greenhouse Gas Emissions and Promote Weatherization in the Buildings Sector by Extending the Sunset Date for the Historic Property Rehabilitation Tax Credit."

CEI is a 43-year-old Community Development Financial Institution (CDFI) with a mission of supporting good jobs, environmentally sustainable enterprises, and shared prosperity in Maine. We provide business advice and financing to approximately 2,000 entrepreneurs in Maine annually (3,000 in 2020), specializing in financing for small businesses, natural resource-based industries, and downtown community revitalization projects. CEI strongly supports LD 201, *which will extend the current sunset on the Historic Preservation Tax Credit (36 MRS 5219-BB) from 2025 to 2040*. Here's why.

The preservation and reuse of historical buildings revitalizes historic downtowns and enhances Maine's unique quality of place, preventing and redressing neighborhood blight, and providing fresh, energy-efficient space for local enterprise and housing. The availability of the state Historic Preservation Tax Credits (HPTCs) for real estate investors and developers is key to the successful rehabilitation of historic properties. Preservation-based development is an established approach that aligns with the goals of Maine's climate action plan and 10-year economic development strategy.

Historic preservation projects anchor downtown revitalization and reverse disinvestment in under-resourced communities. They create and maintain affordable and workforce housing, attract, and retain new and existing businesses, and spur an economic ripple effect by creating and retaining jobs, vendor relationships, and additional commerce. In addition to stimulating long-term investment, historic rehabilitation will limit carbon emissions associated with new construction. Additional spending is generated by landscaping, furnishings, parking and activities that are not eligible for historic tax credits. This activity adds value to adjacent properties and increases employee consumer spending and heritage tourism. The state's HPTC program has been key to reviving Maine downtowns.

According to the Maine Historic Preservation Commission (MHPC) and Planning Decisions, Inc. (PDI), *in the 5 years prior* to the credit's establishment in 2008, 12 historic preservation projects were completed for a total direct investment of \$22 million and an additional indirect investment of \$5.1 million in



related expenses¹. Since its inception, *in the years spanning 2009-19*, 106 HTCP-eligible redevelopment projects have been completed, and 59 are in the approval process, including 16 in the early stages of construction. These projects are distributed across 39 towns in 14 counties.²³

These economic development projects have:

- Generated over \$500 million in development investment, including \$79 million in unqualified expenditures (that were ineligible for credit)
- created and retained 1,911 new and existing housing units, 1,300 of which were affordable by repurposing and adding onto historic buildings
- leveraged \$475.8 million in federal tax credits and
- increased municipal property tax revenues in host communities by \$166 million.

For its part, CEI has invested *over \$43 million* in equity while *leveraging*, in addition, *over \$185 million* in *48 projects* across eight counties from Biddeford-Saco to Dover-Foxcroft.^{4 5} In addition, eight pipeline deals with the potential to close in 2021, represent an additional \$11,062,667 in investment that will leverage an additional \$43,577,586.

To illustrate the HPTC program's effect on downtowns, these developments reinvent landmark structures to foster new economic pursuits in converted mills, former schools, and vintage buildings, resulting in loft apartments; workforce, senior and affordable housing; professional offices; boutique hotels with café and restaurant, and a renewably sourced, energy efficient mixed-use data hub.

The state historic preservation and affordable housing tax credit program has clear administrative guidelines and a straightforward application process to ensure projects' strict adherence to quality standards and compliance with historic requirements. Maine Historic Preservation Commission (MHPC) is required by statute every 2 years to review and analyze the program and to make recommendations regarding its extension, repeal, or amendment – based on the credit's impact on historic rehabilitation and economic development, and whether the tax and revenues generated by credit exceed the costs of the credit to the state.

MHPC's January, 2019, program review and February, 2019, annual report, along with the economic impacts report cited above, demonstrate the credit's net benefit to the state of Maine, its taxpayers and

¹ Maine Historic Preservation Commission, Recommendations to Taxation Committee pursuant to 27 MRSA 511.5.B, January 14, 2019, and Maine Historic Preservation Commission, 2018 Historic Preservation Rehabilitation Tax Credit Annual Report, February 28, 2019.

² Lawton, Charles and Frank O'Hara, Maine Historic Tax Credit Economic Impacts Report, Prepared for Maine Preservation, December, 2020. Accessible at: <https://www.maine Preservation.org/maine-historic-tax-credit-economic-impacts-report-2020>

³ Maine Preservation list of completed projects. Accessed on 2/12/2021 at: https://static1.squarespace.com/static/5978aeae2994ca3b035c44cf/t/5f5bdca3da393050a8193f41/1599855780624/Maine+HTC+Projects+2008_032020.pdf

⁴ Exact figures are as follows: as of 12/31/20, CEI has invested \$43,563,479, and leveraged an additional \$185,119,836 in 48 projects.

⁵ <https://www.ceimaine.org/financing/real-estate-financing/>



municipalities, based on number of affordable and market value housing units created and retained; square footage of affordable and market rate housing developed; jobs created; and total investment dollars afforded by the availability of the tax credit incentive. MHPC affirms that there is “clear evidence that the tax credits continue to have significant positive effect on the number of historic buildings rehabilitated in Maine, investment generated, and the assessed value of rehabilitated historic properties. It is also evident that the tax credits have incentivized economic development.”

To assure “that projects in development or planning stages are not adversely affected,” MHPC has recommended extension of the sunset to alleviate uncertainty that could jeopardize pipeline projects.⁶ Having turned the corner from a net annual loss to a net annual gain in revenue for the State between 2016-17, Maine’s HTCP *more than pays for itself*. Its cost is offset by increased annual sales and income tax and local property tax revenues. The net economic benefit to the state is expected to double to more than \$6 million annually by 2022. For every \$100 spent on construction, another \$80 in income flows to vendors and employees. For every \$100 businesses located in HTCP financed buildings generate in sales, their vendors and employees receive another \$60. Businesses occupying commercial space in HTC financed projects have created 700 year-round, full-time jobs generating \$13 million in income to residents in these communities. The overall economic impact of the HTCP is over \$1 billion. This is in addition to the social impacts of affordable and market-rate housing, local jobs, and vibrant downtowns with enhanced “quality of place.” In short, this program is a positive incentive for the rehabilitation of historic structures and economic development and has been recommended for extension by MHPC. We encourage the committee to pass LD 201 to continue to make this tool available.

⁶ Without an extension, 33 existing projects in 18 towns in 11 counties may be at risk.